

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;  
Michael Kubayanda, Vice Chairman;  
Mark Acton;  
Ann C. Fisher; and  
Ashley E. Poling

Competitive Product Prices  
Priority Mail Express, Priority Mail, First-Class Package  
Service & Parcel Select Contracts  
Priority Mail Express, Priority Mail, First-Class Package  
Service & Parcel Select Contract 5

Docket No. MC2020-147

Competitive Product Prices  
Priority Mail Express, Priority Mail, First-Class Package  
Service & Parcel Select Contract 5 (MC2020-147)  
Negotiated Service Agreements

Docket No. CP2020-158

ORDER ADDING PRIORITY MAIL EXPRESS, PRIORITY MAIL, FIRST-CLASS  
PACKAGE SERVICE & PARCEL SELECT CONTRACT 5 TO THE  
COMPETITIVE PRODUCT LIST

(Issued June 16, 2020)

I. INTRODUCTION

The Postal Service seeks to add a new product identified as Priority Mail  
Express, Priority Mail, First-Class Package Service & Parcel Select Contract 5 to the

competitive product list.<sup>1</sup> For the reasons discussed below, the Commission approves the Request.

## II. BACKGROUND

On June 1, 2020, in accordance with 39 U.S.C. § 3642 and 39 C.F.R. §§ 3020.30-.35,<sup>2</sup> the Postal Service filed the Request, along with supporting documents. In the Request, the Postal Service asserts that Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contract 5 is a competitive product that establishes rates “not of general applicability” within the meaning of 39 U.S.C. § 3632(b)(3). Request at 1. Among the supporting documents, the Postal Service included a copy of the Governors’ Decision authorizing the product, a contract related to the proposed new product, requested changes to the competitive product list, a statement supporting the Request, a certification of compliance with 39 U.S.C. § 3633(a), and financial workpapers. In addition, the Postal Service submitted an application for non-public treatment of materials requesting that unredacted portions of the Governors’ Decision and the contract, customer-identifying information, and related financial information remain under seal. *Id.* Attachment F.

The contract is intended to take effect three business days after the Commission completes its review. Request, Attachment B at 11. It is intended to expire December 31, 2023. *Id.*

---

<sup>1</sup> USPS Request to Add Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contract 5 to Competitive Product List and Notice of Filing Materials Under Seal, June 1, 2020 (Request).

<sup>2</sup> The regulations cited by the Postal Service have been reorganized, and are now found at 39 C.F.R. §§ 3040.130-135. See Docket No. RM2019-13, Order Reorganizing Commission Regulations and Amending Rules of Practice, January 16, 2020 (Order No. 5407) (effective April 20, 2020). The Postal Service should cite to the reorganized regulations in future filings before the Commission.

On June 2, 2020, the Commission issued a notice establishing the two dockets, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>3</sup>

### III. COMMENTS

The Public Representative filed comments on June 5, 2020.<sup>4</sup> No other interested person filed comments. The Public Representative concludes that the contract should be categorized as a competitive product and that it should generate sufficient revenue to cover its costs in its first year. PR Comments at 2-3. He characterizes as reasonable the Postal Service's assertions regarding the classification of the contract as a competitive product. See *id.* at 3. He notes that the contract contains a mechanism for the annual upward adjustment of prices and that the Commission will have an opportunity to annually review the financial results of the contract. *Id.*

### IV. COMMISSION ANALYSIS

The Commission has reviewed the Request, the contract, the supporting data filed under seal, and the Public Representative's comments.

*Product list requirements.* The Commission's statutory responsibilities when evaluating the Request include assigning Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contract 5 to either the market dominant or competitive product list. See 39 U.S.C. § 3642(b)(1); 39 C.F.R. § 3040.134. Before adding a product to the competitive product list, the Commission must determine that the Postal Service does not exercise sufficient market power that it can effectively set

---

<sup>3</sup> Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, June 2, 2020.

<sup>4</sup> Public Representative Comments on Postal Service Request to Add Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contract 5 to the Competitive Product List, June 5, 2020 (PR Comments).

the price of the product substantially above costs, raise prices significantly, decrease quality, or decrease output, without the risk of losing a significant level of business to other firms offering similar products. See 39 U.S.C. § 3642(b)(1). In addition, the Commission must consider the availability and nature of private sector enterprises engaged in delivering the product, the views of those who use the product, and the likely impact on small business concerns. See 39 U.S.C. § 3642(b)(3); 39 C.F.R. §§ 3040.132(f), (g), and (h).

The Postal Service asserts that it provides postal services of the kind provided under the contract in a highly competitive market, that other shippers who provide similar services constrain its bargaining position, and that it can therefore neither raise prices nor decrease service, quality, or output without risking the loss of business to competitors. Request, Attachment D at 2. The Postal Service states that the contract partner supports the Request, that expedited shipping is widely available from private firms, and that the Postal Service is unaware of any small business concerns that could offer comparable services to the contract partner. *Id.* at 3.

The Commission finds that the Postal Service does not exercise sufficient market power that it can effectively set the price of the proposed product substantially above costs, raise prices significantly, decrease quality, or decrease output, without the risk of losing a significant level of business to other firms offering similar products. The availability of other private sector providers supports this conclusion. The contract partner and the Public Representative support the addition of the Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contract 5 product to the competitive product list. Further, there is no evidence of an adverse impact on small businesses. For these reasons, having considered the relevant statutory and regulatory requirements, the comments filed, and the Postal Service's supporting justification, the Commission finds that Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contract 5 is appropriately classified as competitive and is added to the competitive product list.

*Cost considerations.* Because the Commission finds Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contract 5 is a competitive product, the Postal Service must also show that the contract covers its attributable costs, does not cause market dominant products to subsidize competitive products as a whole, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3035.105 and 3035.107. As long as the revenue generated by the contract exceeds its attributable costs, the contract is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if the contract covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

Based on a review of the record, the Commission finds that the rates during the first year of the contract should cover the contract's attributable costs. 39 U.S.C. § 3633(a)(2). The contract's prices adjust with changes to generally applicable rates. Request, Attachment B at 4, 6. Combined with sufficiently high first-year cost coverage, the contract's price adjustments will help ensure that the contract will cover attributable costs in subsequent contract years. For these reasons, the Commission also finds that the contract should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, the Commission finds the contract is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). *See also* 39 C.F.R. § 3035.107(c). Accordingly, a preliminary review of the contract indicates it is consistent with section 3633(a).

The Commission will review the contract's cost coverage and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Commission's Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

*Other considerations.* By its terms, the contract becomes effective three business days after the Commission completes its review. Request, Attachment B at 11. The contract is scheduled to expire December 31, 2023, unless, among other things, either party terminates the contract with 30 days' written notice to the other party. *Id.*

The contract also contains provisions that allow the parties to extend the contract for two 1-year periods and two 90-day periods. *Id.* at 11-12. The Commission finds the extension periods reasonable because: (1) the contract prices are linked to prices of general applicability; and (2) the extension(s) should assist the Postal Service's contract negotiations by providing additional flexibility.

If the instant contract is terminated prior to the scheduled expiration date, the Postal Service shall promptly file notice of such termination with the Commission in these dockets.

In conclusion, the Commission approves Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contract 5 as a new product, and approves the rates for that product in part. Revisions to the competitive product list and the MCS appear below the signature of this Order and are effective immediately.

## V. ORDERING PARAGRAPHS

*It is ordered:*

1. Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contract 5 (MC2020-147 and CP2020-158) is added to the competitive product list as a new product under Negotiated Service Agreements, Domestic. Revisions to the competitive product list and the Mail Classification Schedule appear below the signature of this Order and are effective immediately.

2. The Postal Service shall promptly file notice of the instant contract's termination with the Commission in these dockets if the instant contract terminates prior to the scheduled expiration date.
3. The Secretary shall arrange for publication in the *Federal Register* of an updated product list reflecting the change made in this Order.

By the Commission.

Erica A. Barker  
Secretary

## CHANGE IN PRODUCT LIST

The following material represents changes to the product list codified in Appendix B to 39 C.F.R. part 3040, subpart A—Competitive Product List. These changes reflect the Commission’s order in Docket Nos. MC2020-147 and CP2020-158. The Commission uses two main conventions when making changes to the product list. New text is underlined. Deleted text is struck through.

### **Appendix B to Subpart A of Part 3040—Competitive Product List**

\*\*\*\*\*

#### **Negotiated Service Agreements\***

Domestic\*

\*\*\*\*\*

Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contract

5

\*\*\*\*\*



## CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

### **Part B—Competitive Products** **2000 Competitive Product List**

\*\*\*\*\*

#### **Negotiated Service Agreements\***

Domestic\*

\*\*\*\*\*

Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contract  
5

\*\*\*\*\*

#### **2500 Negotiated Service Agreements**

\*\*\*\*\*

#### **2505 Domestic**

\*\*\*\*\*

#### **2505.15 Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contracts**

\*\*\*\*\*

- Priority Mail Express, Priority Mail, First-Class Package Service & Parcel Select Contract 5

#### Baseline Reference

Docket Nos. MC2020-147 and CP2020-158  
PRC Order No. 5552, June 16, 2020

#### Included Agreements

CP2020-158, expires December 31, 2023

\*\*\*\*\*